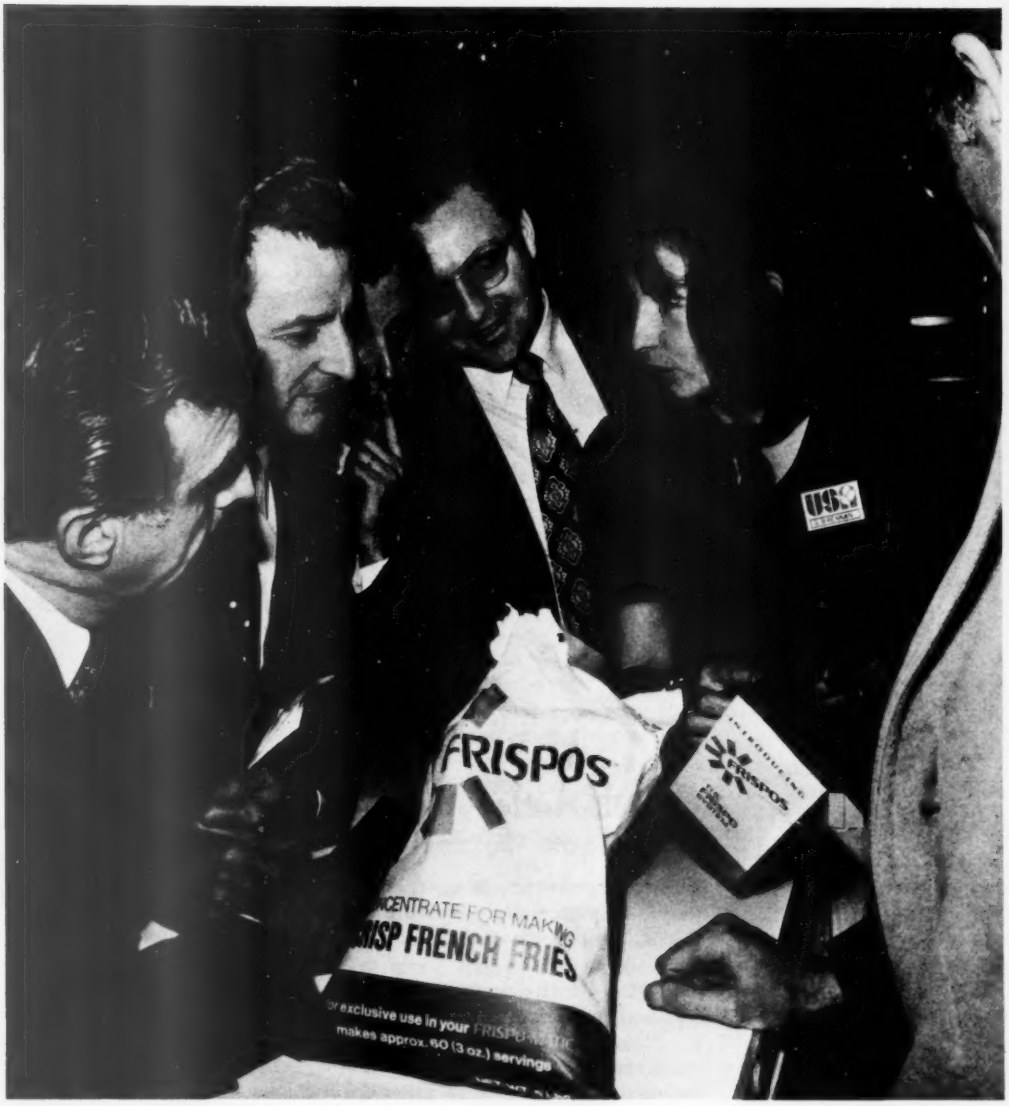
FOREIGN AGRICULTURE



MARCH 5, 1973

U.S. Farm Exports Forecast at $11 Billion

Cotton Sales to China

FOREIGN AGRICULTURAL SERVICE
U.S. DEPARTMENT OF AGRICULTURE

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This week's cover:

U.S. potato products were only one of the items featured at the Food Business-HORESCA Show in Brussels, January 14-18. A total of 107 American companies exhibited products to nearly 17,000 persons who visited the U.S. Pavilion. The exhibitors expect sales resulting from contacts made at the event to total about $1 million in the next year. See story on page 9.

Earl L. Butz, Secretary of Agriculture

Carroll G. Brunthaver, Assistant Secretary for International Affairs and Commodity Programs

Raymond A. Ioanes, Administrator, Foreign Agricultural Service

Editorial Staff:

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Janet F. Beal, Associate Editor; Patricia O. MacPherson, Mary Frances Owsley, Marcellus P. Murphy, Isabel A. Smith.

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OUTLOOK 73

1973 National Agricultural Outlook Conference

A number of speakers at the 51st Agricultural Outlook Conference, held in Washington, D.C., February 22 through 24, stressed the strong tie between agriculture and foreign trade.

The Conference theme was the future structure of agricultural production and marketing. Said Carroll G. Brunthaver, Assistant Secretary of Agriculture, "One fact that has come home most sharply to all of us this year is that our agricultural future cannot be appraised within a strictly domestic context. We must attack the question: What is happening in other countries, and what does this mean to the future of our own agriculture?"

In the pages that follow, *Foreign Agriculture* presents articles based on three Conference speeches.

Pointing out how vital farm exports are to the country's balance of payments, Carroll G. Brunthaver, Assistant Secretary of Agriculture, discusses how

U.S. Agriculture Gears for Foreign Trade

IN THIS MARKETING year, U.S. wheat exports are equivalent to three-fourths of the 1972 crop. Soybean exports exceed one-half of last year's crop. Feedgrain exports will total over a billion bushels.

With overseas customers making up those proportions of U.S. commodity markets, it is obvious that this country has to take careful account of developments in other countries. The way other people live, and want to live, becomes basic to U.S. production and marketing strategy—almost as essential to farm planning as are U.S. trends.

If there is a common thread that runs through developments in key countries, it is this: Population expansion, technological advancement, and income growth are resulting in a definite—and in some countries, spectacular—rise in demand around the world. Associated is a rise in expectations resulting in part from developments in communications, transportation, and tourism. The result is that in most countries there is a definite rise in per capita consumption of the foods identified with rising incomes.

Trends in per capita consumption of red meat in the past decade are virtually a mirror of income growth. Between 1961 and 1971, all of East Europe expanded consumption of red meat, and the USSR increased per capita use from 63 pounds to 89.

Per capita meat consumption expanded in every country in Western Europe except for Denmark and the United Kingdom, where it remained about constant. In Italy, Portugal, and Spain it increased on the order of 50 percent, starting at relatively low levels. In Greece, it jumped from 45 pounds to 87.

In Japan, it increased by 2½ times in the 10 years; in Taiwan by almost one-half; in Israel by about half.

With a continued income rise in those countries—and with the opportunity for a takeoff in production technology in some of them—the opportunity for expanded sales of U.S. feedstuffs would seem extremely promising. Some European countries, for example, might well find that "American style" feeding systems could do much to expand their meat production.

All of this seems to indicate a bright future for agricultural exports—especially of those commodities where there is a sizable natural U.S. advantage. It assumes, however, that the necessary things are done to continue expanding markets and producing for these markets.

In the Agricultural Act of 1970, Congress and the Administration agreed that farmers should have more freedom to produce for the market, and that the farm programs should work in such a way as to encourage, not discourage, the marketing of U.S. commodities overseas. This policy has worked well.

Because of the flexibility available in the present act, a number of adjustments in programs and in the handling of stocks have been possible in recent months. These changes have helped to move additional grains to market during a period of high demand. They have helped to expand expected plantings of grains and soybeans in 1973.

- Price support loans on grains will not be extended beyond current maturity dates. This has the effect of increasing market supplies by some 330 million bushels of wheat and over a billion bushels of feedgrains.
- Action has been taken to move Government-owned stocks of grains into the market. Under this policy, the Commodity Credit Corporation has sold 278 million bushels of wheat and 200 million bushels of feedgrains.
- Farm programs have been announced for 1973 designed to bring about increased acreages of grains and soybeans. The required set-aside for wheat was eliminated to bring an additional 7.5 million acres into production. The feedgrain set-aside was limited to 25 percent, with no additional set-aside required, which will increase planted acreage by 11.6 milion acres. The cotton set-aside requirement was eliminated, freeing about 2 million additional acres.
- Finally, the Department announced that livestock forage can be grazed or harvested from acreage set aside under the wheat and feedgrain programs this year. This will further help producers to meet demand for livestock products.

As a result of these changes in 1973 programs, there will be nearly 40 million fewer acres set aside than the 61.5 million of the 1972 programs. This will result in 225 million bushels more of wheat and 20.6 million tons more of corn. And changes in the feedgrain and wheat programs will help expand the soybean crop by some 7 million acres or an estimated 237 million bushels.

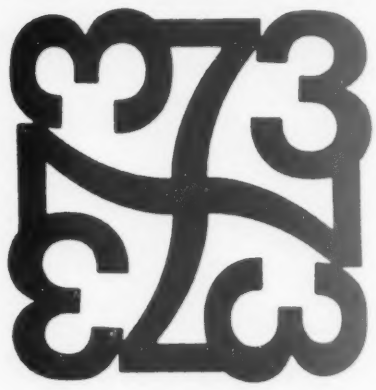
The decision for an export-oriented agriculture is already being implemented. This policy satisfies human needs and desires in many countries. U.S. farmers are benefiting and have already made many of their expansion investments. Yields and productive capacity are still growing. The final reason for the policy is the U.S. balance of trade.

TEN YEARS AGO the United States had a trade surplus running from $5 billion to $7 billion a year. In 1971 this nation had the first trade balance deficit of this century, and in 1972 it ran into the red by $6.4 billion.

The reason is that the competitive situation in the world market has changed dramatically. Usually in the past, the United States, even with higher wages, had such a lead in the industrial and scientific revolutions that it could produce and distribute more goods than anybody else.

(Continued on page 16)

OUTLOOK 73



Predicting a record $11.1 billion for farm exports this fiscal year, FAS Administrator Raymond A. Ioanes comments on the

Rosy Outlook for U.S. Farm Trade In 1972-73

THIS IS a year of record volume and record value in the export of U.S. agricultural products. Illustrated more clearly than ever before is the fact that demand builds markets and income returns for farmers, that growth in volume is the key to favorable marketing conditions.

The unusual demand factors existing in the world market give promise of U.S. agricultural exports in this fiscal year of $11.1 billion. That is the new official USDA estimate of what will be achieved if the United States can move the goods that its trading partners have bought or will want to buy between now and next June 30.

It reflects a substantial increase over the $10-billion estimate issued as recently as last November. It also reflects continuing demand growth which had been building long before a new market dimension was added by the USSR and the People's Republic of China (PRC). Even excluding the commodities sold to these two new major customers this year, and applying the same unit values as last year, this would still be a record year.

A little more than half of the $3-billion increase will be due to increased volume, and all of it is in commercial sales for dollars. Nearly all commodities will show increases, but about 85 percent of the rise will come from wheat, feedgrains, soybeans, and soybean meal.

Wheat exports are estimated at 1.15 billion bushels, an increase of more than 500 million.

By next June 30, there will have been a world wheat movement estimated at 69 million metric tons—16.6 million tons more than last year—and the United States will have accounted for 14.1 million tons of the increase.

The key to this increase has been the large Soviet purchases that followed the sharp decline in 1972 Soviet wheat production. Soviet wheat purchases from the United States are estimated at more than 400 million bushels.

China, India, and other Asian countries also have been having bad weather that reduced grain and rice crops and brought a need for imports. Canada and Argentina have been in a position to share in supplying this demand, but Australian exports will decline because of a short crop and low stocks. Stocks will be down substantially in all three countries at the end of the current marketing year.

U.S. shipments to the Soviet Union got off to a rather slow start because of the time required to negotiate the Maritime Agreement. Subsequently, they accelerated, but they have not yet reached the sustained level necessary to complete shipment of the grain sold. A factor in this situation is the stress placed on the internal U.S. transportation system by the unprecedented commodity movements, together with severe winter weather that delayed U.S. harvests and required larger fuel shipments.

Feedgrain exports are estimated at a record 30.2 million tons—about 40 percent greater than last year. Corn is expected to reach 1 billion bushels and grain sorghum 150 million; barley will decline to 40 million, and oats to 10 million.

Total world shipments of feedgrains are estimated at 53.2 million tons, breaking last year's record by 6.1 million. This sharp increase is due to sizable purchases by Japan, Italy, Spain, the PRC, India, and Mexico in addition to large-scale buying by the USSR and Eastern Europe.

U.S. shipments also are up significantly to some relative newcomers to the market, such as the Republic of China and South Korea; and a byproduct of the Soviet situation is the record quantity of U.S. grain expected to go to Eastern Europe.

Every year for a long time there has been a new record in **soybean** exports, and this year is no exception. Exports of oilseeds and products are expected to total about $3 billion, of which soybeans and soybean products will contribute another alltime high of $2.7 billion.

Leading factors in this record level are the sharp reduction in Peru's fishmeal production as the result of a fishing failure, the Soviet purchase of 40 million bushels of soybeans, and the continued expansion of livestock industries in Western Europe and Japan.

Exports of soybeans are expected to total 460 million bushels, up about 30 million. Soybean cake and meal is expected to be up slightly, to 4.3 million short tons, and oil might be down slightly to about 1.4 billion pounds, so most of the soybean gain will be in value.

Although oil is by no means as short relative to demand as protein meal, there is a fairly tight supply and de-

mand balance. Reductions in the U.S. soybean crop and the Russian sunflower crop coupled with the emergence of new demand, such as that from the PRC, Mexico, Uruguay, and others, have tended to greatly strengthen the oil market in recent weeks.

Rice exports will be down slightly in volume, to about 1.6 million tons; but higher prices are expected to bring the value of rice exports above the year-earlier level.

"A remarkable year for U.S. agriculture—an alltime high in exports, and . . . an alltime record of $19 billion in net farm incomes for 1972."

The lower volume is caused mainly by lower export availabilities because of the reduction in this year's carry-in. World rice production was down considerably in 1972, primarily because of drought in Asia, and the increase in import requirements, particularly in Far Eastern countries, has sent export prices of U.S. rice to alltime highs.

Livestock and meat products are forecast at $975 million, up almost one-third. Most of the increase represents a substantial gain in the export value of cattle hides. There were some gains in meat products, the most significant being in variety meats.

The **cotton** export outlook has turned upward in recent months, and exports of $680 million are now forecast for cotton and cotton linters—27 percent above last year's level.

Exports of raw cotton are forecast at 4.5 million bales compared to 3.3 million bales last year. An important factor in the upward revision of the cotton export forecast is USDA's belief that about 500,000 bales of U.S. cotton have been sold to the PRC. The principals involved in the reported sale have not confirmed the final destination of the cotton, but a USDA survey shows that other cotton exporting countries have sold as much as 1.1 million bales for shipment to the PRC during 1972-73, indicating a serious production deficit in that country.

Apart from this, the export outlook for U.S. cotton has brightened considerably since the beginning of the season. This has occurred despite some falling off in the quality of the crop. Harvest problems caused reduced availabilities in a number of countries, and buyers began to build stocks, causing prices to rise. The United States was in a relatively better competitive position to fill the increased needs of importers.

U.S. exports of unmanufactured and bulk smoking **tobacco** will total about 535 million pounds, valued at about $590 million. This would be down 22 million pounds in volume, but up around $20 million in value.

Exports of **poultry and poultry products** are expected to reach about $95 million, an increase of 15 percent. Increased exports of turkey meat, especially parts, and poultry specialty items are expected to push exports of poultry meat beyond $50 million, a gain of about 20 percent.

Dairy product exports are expected to be down sharply, to about $125 million from $218 million the year before. The decline is primarily due to the drop in Commodity Credit Corporation butter sales for export and the reduced availability of CCC nonfat dry milk for food aid.

An increase of 14 percent is forecast in U.S. exports of **fruits, nuts, and vegetables,** to a total of $756 million—another record. Exports of fresh citrus, which are getting a lift from the high level of movement of grapefruit and lemons to Japan, are likely to be the leading contributor.

It all adds up to a remarkable year for U.S. agriculture—an alltime high in exports, and on the way, an alltime record of $19 billion in net farm incomes for 1972. Certainly, that is an indication that exports and income go hand in hand.

What can be expected in 1973-74?

- First, some weather improvement, around the world, and with it some softening in the world market.
- Second, a production response, around the world, to the acceleration of world prices. Some of this will occur in 1974, and an even greater response in the next year or two.
- Third, for producing nations that ignore the importance of price to customers in the world market, the shutting off of some growth in demand.
- Fourth, some improvement in the U.S. trade position because of the recent currency realinement. After the last round of currency changes late in 1971, gains were of significance for a number of commodities, involving about 40 percent of U.S. export trade.

Even recognizing the possibility of some softening in the world market next year, U.S. agricultural exports in 1973-74 should continue strong, although at somewhat less than the current remarkable level.

Wheat prices should be healthy and feedgrain prices should be firm. Soybean prices should be very attractive to producers compared with any year but the current one, in which speculation, transportation problems, crop losses, and other factors have put them at record levels.

World import demand for wheat is expected to continue strong, but a decline of perhaps 10 percent from this year's record is expected. Even then, it would be the second or third highest import year.

Barring a second successive year of bad weather, total Russian requirements for wheat imports will very likely drop off, perhaps by between 8 million and 10 million tons. Much depends not only on the Russians' own wheat crop, but also on world wheat-feedgrain price spreads. Essentially, USDA feels that normal weather will give the Russians enough wheat, but not enough feed. In other words, they will again need grain, and in substantial quantities, but it is by no means sure that much of this would have to be wheat.

"Even recognizing the possibility of some softening in the world market next year, U.S. farm exports should continue strong."

Competing countries, however, do not seem capable of much export increase in 1973-74. They drew on stocks to reach this year's levels, so production must rise just to keep up with those.

Thus, USDA looks for a U.S. wheat export volume in the neighborhood of 900 million bushels—still, 42 percent greater than in 1971-72, and the second highest ever.

For feedgrains, mainly because of the USSR situation, a further heavy increase in world import volume is expected. Again, much depends on wheat-

feedgrain price levels and on how the Soviets meet their grain import needs.

Based on these assumptions, a total world trade increase of about 10 percent can be expected in feedgrains. Some of this can be met by competing countries, but perhaps half will be met by the United States. This would give a U.S. export volume of almost 33 million tons—an increase of nearly 3 million tons, mostly from higher sales to the Soviet Union.

In soybeans, a return next year to more normal world oilseed production and fishing conditions is assumed, with alleviation of the world protein shortage. But at the same time, both domestic and export requirements for protein meal will increase substantially.

Based on the January planting intentions report and subsequent modifications in the wheat and feedgrain programs, the 1973 U.S. soybean crop could reach about 1.5 billion bushels, for an increase of about 225 million bushels. Soybean exports in the 1973-74 marketing year could rise by about 120 million bushels, approaching 600 million. About one-fourth of this could go to Russia, the rest to the enlarged European Community and Japan.

Russia figures heavily in the growth projected for both feedgrains and soybeans, with no assumptions made of another poor Soviet crop year. In other words, even with good weather, the Soviets will be major importers.

This should come as no surprise. Some years ago, grain figures started to show a change in Russia's ability to supply its own requirements and those of its principal trading partners. At the 1970 Outlook, Russia was reported short of livestock products and turning to the West for supplies. The following year, continued meat purchases were reported, with a Soviet delegation visiting this country and Canada to look at breeding stock.

The sharp reduction in the 1972 Soviet wheat crop and the resulting surge in wheat imports have pushed the Russian livestock plan out of the news, but the Russians are buying large quantities of U.S. feedgrains and soybeans this year in addition to wheat.

The January report on Soviet livestock numbers confirms the seriousness of the Russian intentions. Despite last year's crop shortfall, Soviet cattle numbers actually increased, and hog numbers fell only moderately—nowhere near the reduction that occurred after the short crops of 1963.

Instead of slaughtering herds and tightening belts as they have in the past, the Soviets are spending dollars to maintain and even expand their livestock industry. The winter is not over, but one can only conclude that the USSR is in the world market for feedstuffs on a regular basis.

The other country to make trading headlines this year, the PRC, is a different matter. U.S. sales of grain to China this year could go over $100 million. But this is weather buying, and would hardly continue under normal crop conditions. However, U.S. grain is back in the Chinese market after more than 20 years, and the Chinese may continue to turn to the United States for some of their needs.

"This year's experience should teach that volume builds value. Certainly there is risk, but that is basic to the U.S. system and . . . worth taking."

This year's market growth is the product of years of work in many areas —negotiating, market development, domestic farm programs, and others. In the process, the United States has earned a reputation as a dependable supplier—one that will deliver when others could not or would not.

If exports are to continue to grow, the first thing needed is to maintain that dependable supplier reputation. The decisions already made on relaxing set-aside requirements and the prospects for increased plantings are the strongest evidence of U.S. intentions in that regard.

Overseas customers are pushing the United States to produce more. They are concerned about price as well as supply, and if U.S. agriculture really wants to export, it must be, too. Plenty of competitors are waiting in the wings.

The basic message from foreign customers is this: they want more U.S. grains and oilseeds at more moderate prices. At the same time, they recognize that price must give the producer a fair return to encourage him to continue to grow these crops.

This year's experience should convince us that volume builds value. Certainly there is risk, but that is basic to the U.S. system, and the risk is worth taking.

The second thing needed is farm programs that are market oriented—not only because of their adaptability to world market needs, but because they give the greatest opportunity to capitalize on the comparative advantage possessed by much of our agriculture. More reliance on the market means less reliance on export subsidies and more effective opposition to the heavy use of subsidies by others. More reliance on the market means less need for undue restraints against imports and more effective arguments against the quotas and levies that restrict U.S. trade opportunities.

That brings up the third requirement —continued agricultural support for trade negotiations. Currently, the United States is negotiating with the nine-member European Community on the consequences of enlargement. It will be seeking adjustments in the protective system of the Community to take account of the more liberal treatment the three new members had accorded previously for a number of commodities. Looking beyond these so-called Article 24/6 enlargement negotiations, a new round of multilateral trade negotiations is scheduled to begin in 1973. Agriculture has a huge stake in the success of both negotiations.

Finally, one of the key questions in sustaining some of the newer U.S. markets, especially Russia and some countries of Eastern Europe, is their ability to sell goods to the United States and thereby earn the foreign exchange they must have to continue to buy from the United States. They could be helped to improve their position in this respect by the extension to them of most-favored-nation treatment—giving them the same tariff benefits extended to most other nations.

This seems to be a benchmark year for U.S. agriculture, the year in which to answer once and for all the question: Does the United States really want to export?

It has built the markets, it has growing demand, it has the farm programs that permit it to produce for that demand, and it has or soon should have the opportunities to negotiate better access and fairer treatment in those markets worldwide.

The answer should be a firm "Yes."

OUTLOOK 73

Warning of uncertainties, Joseph W. Willett, Foreign Demand and Competition Division, Economic Research Service, forecasts

U.S. Trade in Farm Products In 1985

FOR THE 20 years 1953-72, U.S. agricultural exports rose an average of a quarter of a billion dollars per year. Most of the overall increase was the result of greater quantities exported, although price changes contributed to fluctuations in export value.

This trend provides a fair description of the growth of U.S. farm exports for the past 20 years. But exports will be far above the trend line in fiscal 1973, and it is impossible to judge whether that line is a good indicator of the level of exports some years ahead. A number of developments have brought unusually large elements of uncertainty into longer run forecasts of U.S. farm trade.

● **New trade relations with the Soviet Union.** The sales of U.S. wheat to the Soviet Union in fiscal 1973 resulted mainly from large shortfalls in the quantity and quality of the Soviet wheat crop. While U.S. feed also was sold to the Soviet Union, and the outlook seems favorable for some substantial feed sales in the future, there is little basis for confidence about the magnitude and timing of such sales in the longer run. The Soviet leaders seem to have decided to make more livestock products available to consumers. However, very little is known about how "demand" for livestock products and feeds is determined in the Soviet system of administered prices and controlled supplies.

Other uncertainties and doubt to estimates of the future grain supply and demand situation in the Soviet Union—about weather effects on production, Soviet grain stock levels and policies, "usable" grain produced, grain used for seed, wheat fed to livestock, etc.

● **New trade relations with the People's Republic of China.** Grain, especially wheat, was the main commodity import of the PRC in most of the 1960's; and wheat seems to be the U.S. farm commodity with the best opportunity there.

The United States reportedly has recently sold a substantial amount of cotton to the PRC. Cotton was a leading U.S. export to China in the late forties. The United States might break into the market on a regular basis, especially if China expands textile exports—as appears likely—or raises cloth rations.

● **Expansion of the European Community.** Beginning February 1, 1973, the United Kingdom, Ireland, and Denmark began to put into effect the Common Agricultural Policy of the EC for major farm products. The new EC members are to adjust to EC farm prices by December 31, 1977.

These countries have agreed to grant duty-free or preferential treatment to imports from the areas to which the EC extends such treatment. The EC has agreed to offer a similar option of preferential or special trade arrangements to most developing areas of the British Commonwealth on a comparable basis. Thus, the new preferential trading area will encompass a large share of the U.S. farm market.

The switchover to EC price levels will bring large increases in border protection (in the form of variable levies) applying to imports from the United States and other outside countries. U.S. exports of feedgrains, wheat, rice, unmanufactured tobacco, fresh apples, pears, and citrus, canned fruits, canned asparagus, citrus juices, prunes, and perhaps other commodities appear to be seriously threatened.

The expanded EC will be obligated under the General Agreement on Tariffs and Trade (GATT) to renegotiate with the United States and other GATT members on the proposed duties and other regulations of commerce which affect the trade of the GATT members outside the enlarged Community. The results of these negotiations could have important effects on farm trade. In addition, given the dynamic aspects of the EC, it is of course possible that the organization may modify its agricultural protection in years to come.

● **The realinement of currencies.** Another uncertainty arises from the impact of the 1971 and 1973 dollar devaluations and possible changes in international monetary relations. Devaluation helps exports, but a large share of U.S. exports goes to countries that have offset the dollar devaluations by devaluing at the same time, and some other countries have nontariff barriers that impede the effects of currency realinement. Further doubt arises about the impact of currency realinement because some U.S. competitors in farm commodity exports have also devalued and because of uncertainties as to the effect of lower prices on consumer demand and the extent to which some price decreases resulting from devaluation are passed on to consumers.

● **The food situation in less-developed countries.** Recently there have been reports of a number of problems associated with the implementation of the new agricultural technology in the

less-developed countries. These problems include the need for better water control systems, salinity and waterlogging, excessive reservoir siltation, inadequate pest control, and inadequate food storage. They are real problems, but most of them can be alleviated by better management, appropriate policies, and improved technology. USDA's food production indices indicate that there has been an overall longrun improvement in the world food situation, and its projections still indicate that per capita nutritional levels in the less-developed countries are likely to continue improving.

● **Possible decisions by oil-producing countries.** Petroleum exports seem likely to produce very large amounts of foreign exchange for some of the less-developed countries. If their governments encourage investment in enterprises producing broilers or feeding cattle, there will be rising demand for grains and oilseeds in countries heretofore very small markets.

Some oil-exporting countries already have liberal import policies. Libya's agricultural imports quadrupled from 1962 to 1969, as imports of both meat and livestock feeds rose rapidly. Venezuela and Trinidad show import downtrends for meat but uptrends for feeds.

● **Liberalization of world agricultural trade.** Planned to start in 1973 is a new round of international negotiations to reduce barriers to trade, with special attention to agricultural trade. If substantial progress could be made, the impact on U.S. agricultural trade could be large.

● **New patterns of food consumption.** Recent rates of economic growth in a number of countries are unprecedented. It has been suggested that this, together with rapid urbanization, social changes, and improved communications, may be changing the demand for foods much faster than would be expected from looking at past patterns of change. Unfortunately, evidence of this trend is limited.

In 1970, USDA's Economic Research Service published agricultural projections to 1980. ERS is now revising and extending these to 1985, with some preliminary results. These projections, based largely on the analysis of trends, generally assume no significant change in government policies and continuing rapid growth in the world economy. They also assume normal weather; thus they have discounted both the poor years and the exceptionally good years.

The ERS projections suggest that under normal weather conditions the world's capacity for grain production will increase faster than consumption and thus there is likely to be a rebuilding of wheat stocks, or downward pressure on some prices, or programs to restrict production in the major grain-exporting nations, or some combination of these. ERS expects consumption and trade to grow less rapidly for wheat and rice than for coarse grains.

Countries in developed and centrally planned parts of the world are projected to continue as the major producers and consumers of wheat and coarse grains. Grain exports will continue to flow mainly from the major developed exporting countries. Less-developed countries as a group will continue to import wheat, rice, and coarse grains despite substantial increases in their grain production. China will probably import wheat and export rice.

"A number of developments have brought unusually large elements of uncertainty into longer run forecasts of U.S. farm trade."

Of two alternative projections of grain imports by the Soviet Union and Eastern Europe and the less-developed countries, one set suggests that the Soviet Union and Eastern Europe will be close to grain self-sufficiency in 1985. Since policy decisions and trade relations could change this, another set suggests substantial net imports of grain by those countries. At the same time, this set assumes a more rapid expansion of livestock and poultry production in the less-developed countries, and therefore a greater need for feed imports.

Growth in world demand for animal products, especially meat, will also be reflected by continued growth in demand for high-protein feeds. Analysis indicates that supplies of fishmeal will not expand as fast as demand; thus considerable potential for expansion of soybean meal exports is indicated. Recent rapid increases in crushing capacity in major importing regions make it logical to assume that most export growth will be as soybeans.

Meat demand will continue its strong growth, and the past decade's upward trend in meat prices is expected to continue. World meat demand will remain concentrated in North America and Western Europe. These regions produce most of their own meat; but, with Japan, they will remain the markets toward which meat in international trade will tend to flow. The bulk of supplies for long-distance trade will continue to be generated by Oceania and Argentina. U.S. imports will continue to rise, but net EC imports probably will decline as a result of production stimulated in the new members. Consumption and imports in Japan are likely to rise rapidly.

Ample supplies and relatively low world prices for dairy products will continue to 1985. However, trade patterns will probably change significantly. The enlarged EC will have net exports of about a million tons in milk equivalent and will close off the United Kingdom as a market for Australia and New Zealand. With the loss of that market and the increase of world demand for beef, Australia will probably shift some resources from dairy to beef production, and by 1985 it may cease to be an important exporter of dairy products. A slight production increase, due to large yields, will occur in New Zealand, but dairy cow numbers will decline. Japan and non-EC Western Europe will be the major importers.

For U.S. exports, ERS projections include two alternate sets for feedgrains, with increases of 33 percent or about 100 percent in quantity over the base period (fiscal years 1970-72). Some price increases are included, so value would grow faster than quantity. Under the higher set, the U.S. share of world markets would rise.

Soybean exports are projected to be nearly 85 percent greater than levels prevailing in the base period. The projection for oilcake and meal is up about 40 percent, and that for oil about 20 percent. For vegetable oils, the projections indicate relative price stability.

Cotton and wheat exports are expected to increase about 25 percent and rice about 40 percent.

When all the commodity projections are added, U.S. farm exports could total $14 billion in 1985—more than would be achieved by mere extension of the 20-year trend. However, combinations of the developments discussed could make actual trade very different indeed from these projections.

Brussels Food Fair Sales Projected at $1 Million

U.S. food-product firms that exhibited at the Food Business-HORESCA Show at the Rogier International Center in Brussels, January 14-18, have projected that sales during the next 12 months growing out of participation will total more than $1 million. One poultry firm alone estimated future sales of $750,000.

In the past, the United States participated in the Brussels Food Business Show in September. This year, however, because of advantages accruing from an early-year showing, it was decided to cancel the September date and present the Food Business Show in conjunction with HORESCA in January. Present plans call for continuation of this arrangement.

Results were immediately noticeable. Whereas attendance at the U.S. Pavilion had never been more than 7,000 for the September show, this year's event attracted 16,600 persons of the 19,600 who visited the fairgrounds.

A total of 106 U.S. companies, 47 of them new to the Belgian market, were represented at the Brussels Fair.

Top, prospective buyers of U.S. foods attend an International Foodservice Manufacturers Association luncheon at the Food Business-HORESCA Food Fair in Brussels. Above, fair visitors sample U.S. products and, left, visit a typical exhibitor's booth.

SOVIETS REPORT FINAL 1972 FARM RESULTS

By ROGER S. EULER
Foreign Demand and Competition Division
Economic Research Service

The unfavorable weather that hit Soviet agriculture last year dropped farm production there some 4-5 percent from the 1971 level to a gross value of about 84 billion rubles (nearly $112.5 billion[1]), according to an official report in *Pravda* on January 30. Crops suffered the bulk of the decline, as weather damage more than offset increased use of fertilizer and other inputs. Livestock production, on the other hand, managed to hold about steady at the previous year's level, largely because of the country's huge grain imports last year.

The decline in gross agricultural output came in the second year of the Soviets' 1971-75 Plan. Output in the first year, 1971, amounted to 87.9 billion rubles, or only slightly more than the 1970 level of 87 billion. Thus—despite an upward revision in the current 1973 figure from one implied a few weeks earlier—the Soviet Union must make very impressive headway this year if it is to come even close to achieving the 1971-75 farm goals. These goals call for average 1971-75 farm output to climb 20-22 percent from the 1966-70 level. (See *Foreign Agriculture*, January 22, 1973.)

Some of the biggest declines last year were in grains, potatoes, and vegetables, with production of all three falling for the second straight year. And output of sunflowerseed dropped for the fourth consecutive year. Cotton production, on the other hand, has increased and reached a new high in each of the last 3 years. Production of sugarbeets last year was also a little higher than in 1971 but still disappointing.

Government purchases of grain from the 1972 crop reportedly totaled 60 million tons, but the target was 78 million. The purchases were about 36 percent of claimed gross grain production—slightly higher than in 1971 but below the 39.2 percent bought from the record 1970 crop.

Changes in livestock numbers during 1972 were mixed. The biggest change was a 6.9-percent decrease in hog numbers, which put them below the level of 2 years earlier. January 1, 1973, sheep and goat numbers also were smaller than in 1972 but only by 0.6 percent. Cattle numbers reportedly increased 1.6 percent.

These changes were relatively small in view of the drop in production of feedstuffs and indicate that the Soviets tried hard through feed imports and other measures to maintain livestock numbers and thus keep within reach of their 1975 targets for livestock products.

All private holdings of livestock declined, and numbers of hogs, sheep, and goats decreased by much larger percentages than those for state and collective farms.

Among livestock products, meat production rose slightly to a new record, but apparently would have declined had it not been for larger than expected slaughter. Egg output also marked a new high, although the relative increase was much smaller than in the previous 2 years. Total milk production remained unchanged, despite a small rise in cow numbers, and thus extended the milk slump, which has kept the increase in milk outturn during the last 4 years at only 1.1 percent. A decrease in sheep and goat numbers led to lower wool output in 1972.

Government purchases of livestock products in 1972 naturally more or less paralleled production patterns and again represented increased proportions of total output. Even so, buying of milk was below plan. Moreover, the average weights of slaughter livestock purchased by Government agencies were said to have been lower than in 1971, and the same was true for average milk output per cow. Eggs per hen averaged 4 percent higher than in the previous year.

Other 1972 agricultural results reported included a gross income for collective farms of about 22 billion rubles, down from 22.5 billion in 1971. Once again, there was no indication about the profitability of state farms, but 45 percent of these were said to have been switched to a "financially self-supporting" basis by the end of the year (as compared with 40 percent a year earlier). All were to have been changed to the new basis by the end of 1971, but now the switch is supposed to be completed no later than the end of 1975.

Most of the inputs reportedly supplied to agriculture in 1972 were larger than in 1971, but not all of the known plans for these factors were fulfilled.

Capital investments in agriculture by the Government and collective farms increased 8 percent from the 1971 sum to 23.7 billion rubles, compared with 22.9 billion rubles planned. The collective farm portion of 8.7 billion rubles rose a little more in relation to its goal, 8.4 billion rubles, since the claimed Government investment was 15 billion in relation to 14.5 billion scheduled.

Mineral fertilizer deliveries in 1972 were said to have been 54 million tons, up from 50 million in 1971 but below the revised plan's 54.4 million.

The number of tractors supplied was the same as in 1971, 312,000, but the goal for each of the past 2 years was

Above, Soviet farm officials inspect a spring wheat field in northern Kazakhstan. Right, rice being loaded in trucks for shipment to calibrating plants.

[1] Converted at the Soviet rate of 1 ruble=$1.34. In West European exchanges having infrequent dealing in rubles, however, the ruble often is discounted considerably.

316,500. The number of trucks and special automotive vehicles for agriculture was as planned, 187,000—about 31 percent more than in 1971. The 93,000 grain combines delivered were less than in the previous year (99,000) and less than targeted (99,800). Only 19,000 of these were the new higher capacity model, even though it was estimated last December that 21,000 would be supplied last year. The number of forage choppers made available increased 38.5 percent to 54,000 but was below the 60,900 planned.

Planned totals have not been revealed, but the 1972 numbers supplied to agriculture were larger than those in 1971 for sugarbeet diggers, cornpickers, potato diggers, swathers, tractor plows, seeders, mowers, mineral fertilizer spreaders, pickup balers, loaders, and milking machines. Fewer deliveries were made for cottonpickers, cultivators, tractor rakes, manure spreaders, irrigation sprinklers, and grain cleaners.

The agricultural results last year naturally were reflected in calendar 1972 food industry output, although some of the latter was directly affected by both the 1971 and 1972 crops. The amount of meat processed through industrial facilities increased 6 percent to 8.7 million tons, well above the 7,524,500 tons planned. Total calendar 1972 output of vegetable oil reportedly declined 3 percent to 2.8 million tons, below even the state industrial goal of 2,967,000. Production of granulated sugar, which also reflected imports of raw sugar, was down 1 percent to 8.9 million tons, rather than the 8,956,000 tons planned. The food industry output of butter in calendar 1972 rose 6 percent to 1,081,000 tons, but this was short of the 1,093,000 tons scheduled.

Looking ahead, extemely good results in 1973 are needed to be even within reach of most of the average annual 1971-75 crop goals of the current plan. This is true also for livestock product plans, unless imports fill the feed gap. Exceptional weather in 1975 could make the 1975 crop targets possible, but still leave the related livestock product goals unfilled if earlier cropping success proves insufficient and the gap in needed feedstuffs is not filled by imports.

PRODUCTION, 1970-72, AND CURRENT GOALS FOR SELECTED SOVIET CROPS
[In millions of metric tons]

Crop	Reported gross output			Gross production	
	1970	1971	1972	1971 average	1975
Grains	186.8	181.2	168.0	195.0	205-210
Cotton (unginned)	6.9	7.1	7.3	6.8	7.2
Sunflowerseed	6.1	5.7	5.0	6.9	7.4
Sugarbeets	78.9	72.2	75.7	87.0	92.4
Potatoes	96.8	92.7	77.8	106.0	(1)
Vegetables	21.2	20.8	19.1	24.7	(1)

[1] Not available.

JANUARY 1 NUMBERS OF SOVIET LIVESTOCK, 1970-73 AND 1975 PLANS
[In millions of head]

Category	As of January 1				Planned for end of 1975
	1970	1971	1972	1973	
Cattle	95.2	99.2	102.4	104.0	106.2
Cows	40.5	41.0	41.2	41.7	46.7
Hogs	56.1	67.5	71.4	66.5	74.9
Sheep and goats	135.8	143.4	145.3	144.5	160.2

SOVIET LIVESTOCK PRODUCT OUTPUT, 1970-72, AND CURRENT GOALS

Product	Unit	Reported production			Announced targets	
		1970	1971	1972	1971-75 average	1975
Meat and fats	Mil. tons	12.3	13.3	13.6	14.3	16
Milk	Mil. tons	83.0	83.2	83.2	92.3	100
Eggs	Billions	40.7	45.1	48.2	46.7	52
Wool, unwashed	1,000 tons	419.0	429.0	419.0	464.0	500

STATE BUYING OF SOVIET LIVESTOCK PRODUCTS, 1970-72, AND CURRENT GOALS

Product	Reported purchases			Announced purchasing plans		
	1970	1971	1972	1972	1971-75 average	1975
	Mil. tons	*Mil. tons*	*Mil. tons*	*Mil. tons*	*Mil. tons*	*Mil. tons*
Slaughter livestock	12.6	14.2	15.0	14.3	15.4	17.7
Milk	45.7	47.1	48.4	50.7	53.8	60.1
	Bil.	*Bil.*	*Bil.*	*Bil.*	*Bil.*	*Bil.*
Eggs	18.1	21.6	24.3	21.7	23.9	28.7

TOTAL OR ADDED PRODUCTION NEEDED TO MEET SOVIET FARM GOALS

Commodity	Average of output for 1971 and 1972	Increase over 1971-72 average for 1975 target	Average total output in each of next 3 years for 1971-75 average goal
	Million tons	*Million tons*	*Million tons*
Grains	174.6	30.4-35.4	225.3-233.6
Cotton (unginned)	7.2	0	6.5
Sunflowerseed	5.3	2.1	7.9
Sugarbeets	74.0	18.4	95.7
Potatoes	85.2	(1)	119.8
Vegetables	20.0	(1)	27.9
Meat and fats	13.4	2.6	14.9
Milk	83.2	17.8	98.4
	Billions	*Billions*	*Billions*
Eggs	46.6	5.4	46.7
	1,000 tons	*1,000 tons*	*1,000 tons*
Wool	424	76	491

[1] Not available.

China reportedly will import 1.6 million bales of U.S. and other cotton in 1972-73.

Prospects for Future Cotton Sales To the People's Republic of China

By H. REITER WEBB, Jr.
Cotton Division
Foreign Agricultural Service

THE DRAMATIC INCREASE in cotton imports by the People's Republic of China during the past 2 years has attracted a great deal of attention from world cotton interests. Such attention seems warranted in view of the heavy purchases made thus far in 1972-73 (August-July) and other indications that Chinese production is failing to keep pace with needs—a problem which has caused the Government to place unprecedented emphasis on expanding future cotton output. Whether this emphasis is effective will, in large part, determine China's future role in world cotton trade.

Although the principals involved have not confirmed the final destination of the cotton, it now appears that about 500,000 bales of U.S. cotton have been sold to China. China has also been buying large quantities of cotton for 1972-73 shipment from other exporting countries, both from its traditional sources (Egypt, Sudan, East Africa, Syria, and Pakistan) and also from a number of new suppliers. (See *Foreign Agriculture*, Jan. 1 and Feb. 5, 1973.)

Reports from foreign cotton-exporting countries and from trade sources indicate that China has purchased over 1 million bales for shipment in 1972-73, exclusive of purchases from the United States. This seems likely to bring China's total cotton imports in 1972-73 to at least 1.6 million bales, approximately double the previous record for the post-World War II period of around 800,000 bales in 1963-64 and almost a million bales more than China imported in 1971-72.

China's purchases seem likely to help raise world cotton trade during 1972-73 to 20 million bales or more, far above the previous record level of just over 18 million. Also, world cotton stocks at the end of 1972-73 will apparently be around 23 million bales, down about a million bales from earlier indications although still about 2 million higher than a year ago.

What has brought about this upsurge in China's cotton imports? Is it likely to continue in the future? If so, what are the implications for possible further sales of U.S. cotton to China?

Analysis of the information available concerning the cotton situation in China may help to answer these and other questions. Any such study must start with the realization that the basic information usually considered necessary for reliable analysis is simply not available. It becomes necessary therefore to rely mainly on secondary sources, which are often conflicting and incomplete.

Most analysts begin their study of China's cotton situation by focusing on trade, since China's imports can be measured from the reports of exporting countries. Over a period of years, imports should be the difference between consumption and production, since annual stock changes are likely to even out over a long enough period of time. This approach offers some clues about cotton consumption and production in China. Of course, it is supplemented by some other information at times, such as occasional reports on percentage changes in cotton acreage (but without reference to a base figure), the cloth ration in China, cotton textile exports, and other factors.

After studying the limited information available, analysts of the Foreign Agricultural Service have estimated China's cotton stocks, production, imports, supply, and consumption during the 5 years ending in 1972-73 at levels shown in the accompanying table.

These data indicate that China's sharp increase in cotton imports during 1972-73 results from a production defi-

Chinese seed cotton is dried in sun before ginning.

COTTON SALES TO PEOPLE'S REPUBLIC OF CHINA
[In thousands of bales of 480 lb. net]

Exporting country	1972-73[1]	1971-72[2]
Australia	16	0
Brazil	120	0
Colombia	4	0
Egypt	[3] 36	78
Iran	207	[4] 33
Kenya	21	12
Mexico	95	73
Morocco	0	10
Pakistan	145	83
Sudan	[5] 167	171
Syria	70	69
Tanzania	22	[6] 68
Turkey	150	49
Uganda	0	24
United States	500	0
Total	1,553	670

[1] Sales. [2] Actual shipments. [3] Exports through February 5, 1973. [4] Exports during August-March. [5] Sales reported for calendar 1973. [6] Exports during August-June.

SUPPLY AND DISTRIBUTION OF COTTON IN THE PEOPLE'S REPUBLIC OF CHINA
[In thousands of bales of 480 lb. net]

Period	Beginning stocks	Production	Imports	Total supply	Consumption
1968-69	980	7,700	300	8,980	8,100
1969-70	880	7,400	350	8,630	7,800
1970-71	830	7,800	450	9,080	8,100
1971-72	980	7,600	670	9,250	8,200
1972-73	1,050	6,500	1,600	9,150	8,200

cit rather than an increase in consumption. Although cotton acreage in China is thought to be around 11.1 million acres in 1972-73, the same as the previous year, a severe drought has apparently drastically lowered yields. Chinese cotton acreage is thought to have fluctuated only between 11.1 and 11.4 million acres annually since 1968. Since production is also believed to have changed little during those years, China has apparently not had any real success in increasing cotton yield.

Underlining China's concern over the cotton situation was a National Cotton Conference in Peking from January 16 to 28, where officials admitted the drought's bad effects on cotton. Their conclusion was to place production of cotton, at least in 1973, on a par with grain, which in past years has almost always received the greatest emphasis. Accordingly, Chairman Mao's instructions now are, "We must pay close attention to grain, cotton, and cotton cloth."

Despite this added stress on cotton, China still must cope with the problem of persistently disappointing yields at a time when rapid population increases continue to put pressures on land for food crops, rather than industrial crops.

If China does not succeed in increasing cotton production in the near term, larger imports will be necessary for any growth in consumption.

While it is certainly not possible to predict a precise level of Chinese cotton consumption in future years, several factors point to the likelihood of an increase.

One is that China, despite a small but growing manmade fiber industry and some success in expanding 1972 production of flax and hemp, still depends on cotton as its major fiber for textile manufacture.

One is that China is a major exporter of cotton textiles and would hardly hesitate to buy the cotton needed to sustain or increase these sales, which produce both a profit from the value added in manufacture and badly needed foreign exchange.

There would seem to be strong pressure in China to increase the portion of its cotton consumption that supplies the domestic market. Even without making allowance for textile exports, China is believed to consume roughly the same quantity of cotton as does the United States but has a population at least four times larger. Furthermore, cotton is thought to be China's main textile fiber, while representing only about one-third of U.S. textile consumption.

These factors in combination indicate that per capita textile availability in China (practically all cotton) is around one-twelfth that of the United States. Cutting back from that very low level does not seem likely, and China's rapid rate of population increase would accordingly mean an increase in total cotton consumption.

Larger consumption in the face of static production would, of course, necessitate greater imports (though not necessarily of the magnitude of 1972-73). If China must import more cotton in the future, the United States would seem to be a strong candidate to share in the growth of this important market. While not likely to supply China with the extra-long-staple cotton it normally buys from Egypt and Sudan, the United States can offer both the short-staple types China usually buys from Pakistan and the longer Upland cottons purchased from most other suppliers.

CROPS AND MARKETS

GRAINS, FEEDS, PULSES, AND SEEDS

Grain Exports and Transportation Trends: Week Ending February 16

Weekly export inspections of wheat, feedgrains, and soybeans totaled 1.73 million metric tons for the week ending February 16—a 10-percent increase from the previous week and 9 percent above the January weekly average.

Inland transportation fell slightly from the week of January 9. Railcar loadings of grain totaled 32,492 cars, down 4 percent from the previous week. However, barge shipments of grain, at 534,000 metric tons, were up 12 percent over the week before.

GRAIN EXPORTS AND TRANSPORTATION TRENDS: WEEK ENDING FEBRUARY 16

Item	Week ending Feb. 16	Previous week	Weekly average, January	Weekly average, second quarter
	1,000 metric tons	*1,000 metric tons*	*1,000 metric tons*	*1,000 metric tons*
Weekly inspections for export:				
Wheat	660	539	668	557
Feedgrains	746	678	675	595
Soybeans	325	359	249	351
Total	1,731	1,576	1,592	1,503
Inland transportation:				
Barge shipments of grain	534	476	497	559
	Number	*Number*	*Number*	*Number*
Railcar loadings of grain	32,492	33,963	33,287	30,923

North Korea Buys Wheat and Flour

North Korea reportedly has purchased nearly a half million tons of wheat and wheat flour (in wheat equivalent) from the European Community and Argentina, with at least half that quantity scheduled for delivery in February-June. A small amount of grain was also purchased from Iraq, which had an exceptionally large wheat harvest in 1972, and is believed capable of exporting up to a half million tons of wheat this year.

Of the total purchased, France is expected to supply about 100,000 tons of flour, West Germany some 90,000-100,000 tons of flour, and Argentina approximately 170,000 tons of wheat and up to 30,000 tons of flour. North Korea also purchased 33,000 tons of flour from France in August-September 1972.

In recent years North Korea has purchased the larger share of its requirements for wheat and/or wheat flour from the Soviet Union and Australia and smaller quantities from France and Canada, but the annual average level of such imports has been below 300,000 tons. Current purchases from sources other than the Soviet Union and Australia, North Korea's major suppliers in recent years, no doubt occurred because of its inability to obtain the wheat and flour it needed from those two countries.

The recent sharp increase in the level of North Korea's purchases may well reflect a grain production setback in that country similar to that which affected China, including neighboring Manchuria, last year.

Rotterdam Grain Prices and Levies

Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	Feb. 28	Change from previous week	A year ago
Wheat:	*Dol. per bu.*	*Cents per bu.*	*Dol. per bu.*
Canadian No. 1 CWRS-14	3.04	−10	1.95
USSR SKS-14	(1)	(1)	1.87
Australian FAQ [2]	(1)	(1)	(1)
U.S. No. 2 Dark Northern Spring:			
14 percent	2.78	+4	1.92
15 percent	2.79	+3	1.97
U.S. No. 2 Hard Winter:			
13.5 percent	2.71	+5	1.79
No. 3 Hard Amber Durum	3.02	−4	1.81
Argentine	(1)	(1)	(1)
U.S. No. 2 Soft Red Winter	(1)	(1)	(1)
Feedgrains:			
U.S. No. 3 Yellow corn	2.05	−2	1.42
Argentine Plate corn	2.25	−2	1.60
U.S. No. 2 sorghum	2.15	−9	1.50
Argentine-Granifero sorghum	2.14	−8	1.53
U.S. No. 3 Feed barley	1.81	−9	1.25
Soybeans:			
U.S. No. 2 Yellow	6.55	−70	3.54
EC import levies: [3]			
Wheat [4]	[5] 1.60	−10	1.63
Corn [6]	[5] 1.18	−4	1.11
Sorghum [6]	1.03	+1	1.04

[1] Not quoted. [2] Basis c.i.f. Tilbury, England. [3] The grain levies in the new member countries are reduced by the following amounts through July 31, 1973: Wheat—United Kingdom,$1.44; Denmark, $0.32; Ireland, $0.25. Corn—United Kingdom, $1.12; Ireland, $0.69. Sorghum—United Kingdom, $1.13; Ireland, $0.75. [4] Durum has a separate levy. [5] Effective October 14, 1971, validity of licenses with levies fixed in advance is a maximum of 30 days. [6] Italian levies are 21 cents a bu. lower than those of other EC countries.

Canada Announces 1973-74 Grain Prices

Initial payments for wheat in 1973-74 to Canadian farmers will be Can$1.76 per bushel, the same as the adjusted 1972-73 level. The barley payment is to be increased by 15 cents to Can$1.20 per bushel and oats by 10 cents, to 80 cents.

For 1973, the Canadian Department of Agriculture has called for a minimum of 28 million acres in wheat, 6 mil-

lion more than in 1972. It is also calling for an increase in area of barley and oilseeds and a decrease in summer fallow of about 9 million acres. A wheat area of 28 million acres with normal yields would give a crop of about 700 million bushels compared to the 1972 crop of 533 million. Current-season domestic use and exports are expected to total about 765 million bushels.

SUGAR AND TROPICAL PRODUCTS

Mauritius Has Record Sugar Crop

The 1972 Mauritius sugar crop (harvested July-December) produced a record 686,400 long tons of sugar, or 800 tons more than the previous record in 1963. While the cane crushed in the industry's 21 factories was also at a record level—6,314,000 tons—the average extraction rate for Mauritius as a whole was a low 10.87 percent. This was the poorest figure in 25 years with the exception of the 1960 cyclone year.

Planters hope that the 1973 crop will reach 700,000 tons of sugar, and that Mauritius will produce 800,000 tons of sugar within the next 5 years.

St. Kitts Sugar Industry To Be Revived

The St. Kitts Government reportedly signed an agreement on December 19, 1972, with the St. Kitts Sugar Association to revive the country's sugar industry.

Plantation owners have agreed to place their estates and machinery in a central management pool. The Sugar Industry Rehabilitation Loan Act will provide an initial US$1.8 million to the industry, while the British Government will contribute machinery and technical assistance.

It is hoped that the industry will become viable by 1975, when the agreement expires.

The sugar industry is the biggest single employer in the country, and the major foreign exchange earner. Some 3,900 (17.5 percent) of the 22,298 labor force are employed in sugar during the harvesting season. St. Kitts has an unemployment rate often running over 12 percent.

Sugar export earnings in calendar 1970 amounted to some $3 million, or about three-fourths of total export earnings.

FRUITS, NUTS, AND VEGETABLES

Australian Fruit Due Here in April

New season apple and pear shipments from Australia will be arriving in the United States shortly, probably in early April. Although it is impossible to determine the volume of Australian exports of these fruits to this country, they will probably be relatively small. Freight availability is expected to be the major limiting factor, although fruit growers in Western Australia have lost interest in the U.S. market because of poor returns from apple sales last season.

Bulk pear shipments of between 7,000 and 8,000 bushels will probably be made to the east coast of the United States, while container shipments totaling about 30,000 to 40,000 bushels are anticipated. Small parcels of up to 5,000 bushels are expected to be shipped to the U.S. west coast on regular liner runs.

Total volume of pears to be shipped is uncertain and depends on positioning of vessels which make runs to Australia and also carry cargo for other Pacific destinations. On the basis of present planning, about 300,000 bushels of pears should go to the east coast provided adequate supplies are available in the size range required by U.S. markets.

Apple shipments to both the east and west coasts of the United States are not expected to exceed 100,000 bushels, with more than half from Tasmania on regular liner vessels.

DAIRY AND POULTRY

Colombia's Poultry Industry Expands

Colombia's poultry industry underwent substantial expansion in 1972. Total poultry numbers are estimated at 31.5 million birds, and include 8.5 million layers and replacements and 23 million broilers. Poultry meat production for 1972 is estimated at 39,100 metric tons, up 21 percent from 1971. Egg production increased to 1.7 billion eggs from 1.4 billion in 1971. Per capita consumption of broiler meat and eggs in 1972 are reported at 3.8 pounds and 76 eggs, respectively.

The growth in the poultry sector is due in part to the sharp rise in beef prices in 1972, which increased the price gap between beef and poultry, and the 2-day-a-week ban on beef sales in public establishments. Domestic grain supplies were not adequate to meet requirements for poultry feed, and substantial quantities of corn and sorghum had to be imported.

Expansion in the poultry sector should continue in 1973 but at a more moderate rate. The feed shortage hurt most of the producers and many smaller operators were forced out of business. The remaining, more efficient operators, can be expected to cut back expansion plans to minimize possibilities of a feed crisis in 1973.

EC Milk and Butter Output Up

A slightly larger dairy herd and greater average yields last year resulted in a 3.7-percent increase in EC-6 milk production in 1972, compared with 1971. Milk deliveries to dairy processing plants increased at a much faster rate, rising by 6 percent.

Butter stocks at the end of 1972 were 350,000 tons, up 163 percent from 1971 end-of-year and 4 percent above the level of 1969, year of the EC's "butter mountain." Stocks of skimmed milk powder increased to 160,000 metric tons, nearly double the previous year but were still much lower than in 1969.

FATS, OILS, AND OILSEEDS

U.S. Soybean Oil Exports to China

Official U.S. trade data for the month of December 1972 show further U.S. exports of 5,000 metric tons of soybean oil, valued at $1.1 million, to Mainland China. Both the tonnage and the value were exactly the same as the November shipment.

Thus, through December of the current marketing year, 10,000 tons of U.S. soybean oil with a total value of $2.2 million have been exported to Mainland China.

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U.S. Agriculture Gears for Foreign Trade (Continued from page 3)

But now many countries have mastered the arts of the computer age, and are maintaining high levels of productivity with lower labor costs.

The result has been two devaluations of the dollar in the last 18 months.

Agriculture stands out as one of the top export industries in the American economy, and one of the primary areas where U.S. trade earnings can be increased. Here is why.

- Commercial markets for farm products are growing fast around the world. More people with more money are trying to improve their standards of living—and eating—today than at any previous time in history.
- American farmers are the most productive and efficient in the world. Yields per acre have risen dramatically. Output per man-hour has tripled since 1950, rising some 6 percent per farmer per year (compared with 2.6 percent in off-farm industries). Farmers have twice as much investment per farm worker as off-farm industries, indicating the high level of capitalization and technology in the industry.
- The United States has spent more than 100 years building an agricultural support system of education, research, and extension for its farmers. It is now in position to make full use of this groundwork.
- The U.S. agricultural infrastructure is the world's best. The U.S. farm-supply industries provide new machinery, seeds, chemicals, and other inputs; and the U.S. marketing and transportation systems get the farm products to market.
- America's farmers have a comparative advantage in producing grains and oilseeds. World feedgrain trade has been growing 9 percent a year for the past 3 years. World oilseed trade has been jumping 8 to 10 percent a year since 1960. The United States is already the world's leading producer of these items, despite holding millions of acres out of crops under Government programs in most recent years.

It would make pitiful economics for the world to invest huge sums of development capital bringing raw land into soybean production in Brazil, for example, when the United States was spending large sums of public money to hold acres out of soybeans here.

- Major adjustments have already been made in American agriculture to enable it to meet the world's growing demand for farm products.

Under a market-oriented farm law, the Agricultural Act of 1970, several major steps have been taken to adjust U.S. agriculture to the market. Farmers have been freed from the historical straightjacket of allotments and bases. They have used their management freedom to change the cropping patterns on millions of acres across the country. They have shifted these cropping patterns to meet market demand for particular farm products and to cut production costs. They have also made major investments in equipment and land.

To foster straightforward competition, export subsidies on wheat and tobacco have been suspended, and barter agreements cut back drastically.

- U.S. agriculture is already a major contributor to the U.S. balance of trade. This year, U.S. exports of farm products will total some $11 billion—about the same total as U.S. exports of all industrial machinery last year, more than three times the total of chemical exports, and four times the total of consumer goods exports.

American agriculture can do even more in the future, however—if it can compete freely for markets.

But U.S. trading partners around the world have some trade barriers that are keeping U.S. products from competing effectively, and there are other trade barriers that have the effect of forcing exports from other countries into the U.S. market.

In the European Community (EC), for example, the Common Agricultural Policy frustrates U.S. efforts to increase farm exports.

In addition, the EC restricts many of the items Japan would like to export to it—one reason why much of the Japanese output pressures the U.S. market.

Japan, in its turn, unduly protects itself against a whole range of American industrial and agricultural goods by tariffs and other means. These have been reduced over the years, and the United States hopes they can be reduced further in the future.

This country would prefer to solve the balance of trade problem through trade liberalization. If each country lowered its trade barriers so that goods and services could flow freely, the principle of comparative advantage would even out trade balances.

However, if the trade balance problem cannot be solved in this way, more direct action may have to be taken.